

MORNING MOCHA

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ECONOMIST
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Flash PMI readings of major economies reignited concerns surrounding global growth slowdown. In the US, flash composite PMI print hit a 5-month low in Jun'22. In the Eurozone, the composite print was at its 16-month low and in the UK, the manufacturing PMI print fell to its 23-month low. Fed Chair reiterated his commitment to bring down price increases 'unconditionally'. Even Fed Governor Michelle Bowman spoke of another 75bps rate hike in Jul'22. Elsewhere, Central bank of Mexico delivered record rate hike of 75bps in its latest meeting, amidst inflation running at its 21-year high.

- Except FTSE (lower), other global stocks ended higher. Shanghai Comp rose the most by 1.6% amidst hopes of further stimulus to support growth. Hang Seng too gained 1.3%. US stocks edged higher amidst a decline in US 10Y yield. Sensex rose by 0.9% led by gains in auto and technology stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	22-06-2022	23-06-2022	% change
Dow Jones	30,483	30,677	0.6
S & P 500	3,760	3,796	1.0
FTSE	7,089	7,020	(1.0)
Nikkei	26,150	26,171	0.1
Hang Seng	21,008	21,274	1.3
Shanghai Comp	3,267	3,320	1.6
Sensex	51,823	52,266	0.9
Nifty	15,413	15,557	0.9

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. Flash manufacturing and services PMI indicated weakness in economic activity in major economies, fuelling concerns over recession. Safe-haven JPY and DXY rose, while EUR dropped by 0.4%. INR appreciated a tad by 0.1% as oil prices eased. It is trading further higher today, in line with other Asian currencies.

Fig 2 – Currencies

	22-06-2022	23-06-2022	% change
EUR/USD	1.0566	1.0523	(0.4)
GBP/USD	1.2266	1.2260	0
USD/JPY	136.26	134.95	1.0
USD/INR	78.39	78.31	0.1
USD/CNY	6.7023	6.6990	0

Source: Bloomberg, Bank of Baroda Research

- Except China (stable) and India (higher), global yields closed lower. Germany's 10Y yield fell the most by 21bps followed by UK (-18bps) and US (-7bps). This was on account of mounting recession fears which prompted demand for



sovereign yields. India's 10Y yield rose by 2bps (7.42%) as investors remained cautious ahead of the Rs 330bn weekly auction scheduled today. It is trading at 7.43% today.

Fig 3 – Bond 10Y yield

	22-06-2022	23-06-2022	change in bps
US	3.16	3.09	(7)
UK	2.50	2.32	(18)
Germany	1.64	1.43	(21)
Japan	0.25	0.24	(1)
China	2.83	2.83	0
India	7.40	7.42	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-06-2022	23-06-2022	% change
Tbill-91 days	5.1	5.1	(1)
Tbill-192 days	5.7	5.7	(5)
Tbill-364 days	6.3	6.2	(2)
G-Sec 2Y	6.5	6.5	(1)
SONIA int rate benchmark	1.2	1.2	0
US SOFR	1.5	1.5	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-06-2022	23-06-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(2.0)	0.1
Reverse repo	2.0	2.0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-06-2022	22-06-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	(118.7)	(21.1)	97.7
Debt	32.0	313.0	281.0
Equity	(150.8)	(334.1)	(183.3)
Mutual funds (Rs cr)	1,700.1	(475.9)	(2,175.9)
Debt	576.2	(1,000.0)	(1,576.2)
Equity	1,123.9	524.1	(599.8)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 15 and 16th Jun 2022

- Crude prices fell by 1.5% to US\$ 110/bbl, amidst worries over muted demand outlook. Gold prices also fell by 0.8% as dollar strengthened.

Fig 7 – Commodities

	22-06-2022	23-06-2022	% change
Brent crude (US\$/bbl)	111.7	110.1	(1.5)
Gold (US\$/ Troy Ounce)	1,837.7	1,822.8	(0.8)
Copper (US\$/ MT)	8,773.5	8,397.0	(4.3)
Zinc (US\$/MT)	3,696.5	3,709.5	0.4
Aluminium (US\$/MT)	2,479.5	2,477.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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